

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 600 - HB 1304**

February 26, 2013

**SUMMARY OF BILL:** Exempts a transferee of a motor vehicle from paying any fee for issuance or assignment of a certificate of title or registration when transferring a vehicle purchased from a dealer if such transfer takes place within 30 days of the purchase and is between persons who are married, lineal relatives, or spouses of lineal relatives, or siblings.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact – \$372,000**

**Decrease Local Revenue – Net Impact – \$278,100**

**Assumptions:**

- According to the Department of Revenue (DOR), the exact number of vehicle transfers that would qualify for the proposed exemption is unknown. DOR estimates that 10,000 of such transfers will occur annually.
- The average state registration fee for all class codes is estimated to be \$28.50 per vehicle; the average certification of title fee is estimated to be \$11.00 per vehicle; the average county wheel tax is estimated to be \$28.75 per vehicle.
- The recurring decrease in state revenue as a result of the proposed exemption is estimated to be \$395,000  $[10,000 \times (\$28.50 + \$11.00)]$ .
- The recurring decrease in local government revenue as a result of the proposed exemption is estimated to be \$287,500  $(10,000 \times \$28.75)$ .
- Fifty percent of savings will be spent in the economy on sales taxable goods and services.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The total savings to taxpayers are estimated to be \$682,500  $(\$395,000 + \$287,500)$ .
- The recurring increase in state sales tax revenue is estimated to be \$23,888  $(\$682,500 \times 50.0\% \times 7.0\%)$ ; the recurring increase in local option sales tax revenue is estimated to be \$8,531  $(\$682,500 \times 50.0\% \times 2.5\%)$ .
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.603 percent of state sales tax revenue as state-shared sales tax revenue.
- Pursuant to Tenn. Code Ann. § 67-6-103(q), no portion of revenue derived from the 0.5 percent sales tax rate increase, from 5.5 percent to 6.0 percent (effective April 1, 1992),

or the 1.0 percent sales tax rate increase, from 6.0 percent to 7.0 percent (effective July 15, 2002), shall be distributed to local government.

- The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%  $[(5.5\%/7.0\%) \times 4.603\%]$ .
- The net recurring increase in state sales tax revenue is estimated to be \$23,024  $[\$23,888 - (\$23,888 \times 3.617\%)]$ .
- The total recurring increase in sales tax revenue for local governments is estimated to be \$9,395  $[\$8,531 + (\$23,888 \times 3.617\%)]$ .
- The net recurring decrease in state revenue is estimated to be \$371,976  $(\$395,000 - \$23,024)$ .
- The net recurring decrease in local revenue is estimated to be \$278,105  $(\$287,500 - \$9,395)$ .

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

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